

Основные стратегии вывода предприятия из кризиса

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Аннотация

В статье представлены понятия кризиса предприятия, методы диагностики предприятия, а также причины появления кризисных ситуаций. Выделяются сущность, способы и основные стратегии выхода предприятия из кризиса, а также осуществление аудиторского контроля в целях минимизации финансовых рисков и предотвращения банкротства. Определяются ключевые моменты и особенности антикризисных мер и стратегий. Также рассмотрена стратегия и тактика выхода из кризиса на примере компании.

Ключевые слова: антикризисная стратегия, регулирование, кризис, предприятие, управление.

Main recovery strategies of the companies from crisis

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Abstract

The article presents the concepts of enterprise crisis and methods of diagnostics, as well as the causes of crisis. The article highlights the essence, methods and main strategies of the company's recovery from the crisis, as well as the implementation of audit control in order to minimize financial risks and prevent bankruptcy. The key points and features of anti-crisis measures and strategies are determined. The strategy and tactics of overcoming the crisis on the example of the company are also considered.

Keywords: anti-crisis strategy, regulation, crisis, enterprise, management.

In the modern world, all financial and economic processes take place at a fast pace. The change of economy in the state has put many enterprises and organizations of various forms in a difficult economic and financial situation. Any organization, starting from the moment of its creation, faces a number of problems that also can include a sharp deterioration in performance indicators: liquidity, solvency, profitability, turnover of working capital, financial stability. Business managers and financial specialists have the task of preventing crises and ensuring the sustainability and development of their businesses.

Talking about crises, it is necessary to mention that the crisis can occurred at any stage of the life cycle of the enterprise. Thus, it can stop in its development, without spoiling the performance of the organization or it can go through all the stages cause irreparable damage. In the worst case, this damage can lead to bankruptcy of the company. In most cases, the crisis is the result of poor management because of the absence of a development strategy. For example, if the organization is not configured to work with all customers, this may cause a financial crisis. The company ceases to be flexible and start to lose such management mechanisms as pricing and accounts receivable management, because it is forced to adapt to the client's requirements in order to retain the client.

To prevent problems, as well as to minimize losses, organizations create strategies to get the enterprise out of the crisis. There are a number of reasons for the organization's financial crisis. This may be caused by a general decline in the market, an incorrectly chosen development strategy, or ineffective management work. The methods of overcoming and bringing the company out of the crisis largely depend on what the causes of its occurrence are and how quickly it will be identified.

It should also be noted that the main role in the system of anti-crisis management of the enterprise is given to the wide use of internal financial stabilization mechanisms. This is due to the fact that the successful application of these mechanisms allows not only to remove the financial threat of bankruptcy, but also to help company to get rid of significant dependence on the use of borrowed capital, accelerate the pace of its economic development and have further benefit.

The relevance of this problem is caused by the fact that in the modern world, due to frequent changes in situations not only in the economic but also in the political sphere, enterprises have high financial risks. Because of this, they must be prepared to take certain measures, as well as in situations where risks cannot be avoided, find ways to best solve problems.

The essence of the recovery strategies are that they are often used when the area of activity that needs to be preserved and developed is in a crisis situation. The main goal of the strategy is to detect and eliminate the sources of the firm's crisis as quickly as possible. The most common causes of crisis situations in the enterprise are the following [1, p. 9]:

- too much debt;
- drop in demand for the company's products;
- reassessment of the growth of sales;
- high fixed costs due to the inability to use production capacity efficiently;
- frequent change of strategies;
- obsolescence of technologies used;
- ceding competitive advantages;
- poor human resources;
- lack of flexibility of the organizational structure;
- other random events (e.g. COVID-19).

Thus, any contradictions that occurs and relates to the financial and economic activities of the enterprise can be called as conditions for a crisis situation. Accordingly, any crisis management is essentially pointed toward eliminating and avoiding gaps in the system of resource allocation and improving economic activity.

The crisis situation in the company expects managers to complete a number of activities that significantly vary from the management in normal conditions. However, it is worth remembering that the beginning of any crisis in the company is the low level of the company's management. Thus, the poor management decisions lead to the worsening of the company's financial positions [6, p.10].

In order to apply a recovery strategy, firstly, it is necessary to diagnose and assess the whole enterprise. This step consists of methods, which are aimed to identify problems and weaknesses in the management positions. Diagnostics assumes that there will be an evaluation of the organization's performance from the perspective of assessment of the work of management team, as a determination of deviations in company's parameters as well as an appraisal of the entity's functioning in a market.

Methods for diagnosing organization include audit of the financial condition, estimation of the current situation in the organization and forecasting its future positions, identification of risks, investigation of the organization's credit policy and its obligations. To do these, there are several tools for diagnosing a crisis. They are modeling, statistics, marketing research, forecasting, experiment, expertise, etc.

Thus, firstly it is required to diagnose the causes of unsatisfactory functioning of the company. In this case, there is a need to determine whether the business can be saved, or the situation is hopeless. It is important to understand what difficulties exist and how serious the strategic problems are, since different diagnoses lead to different recovery strategies.

Thus, it is worth remembering that diagnostics cannot solve the problem of the company. It is essential to eliminate the genuine reason of the crisis, smooth out its negative impact on the entity, and eliminate the consequences. Crisis management and successful business recovery can include the following strategies:

1. Revision of the current strategy;
2. Reduction of cost;
3. Increase in cash flow of the organization;
4. Restructure of debts;
5. Reorganization or restructuring of the company;
6. Use a combination of all the listed actions.

First type of strategy is to revise the current entity's strategy. The task of revision of the strategy can be solved by [7, p.10]:

- reviewing strategies in different areas of activity to ensure a common business strategy;
- merging with another industry company and following a new strategy based on shared potential;
- reducing the number of products and customers, which will be suitable for the current situation.

The most proper strategy relies upon a few conditions such as the position in the industry, the firm's strengths and weaknesses, its competitive capabilities, and the level of the crisis. The reorganization of the strategy is preceded by an analysis of the previously mentioned conditions. As a rule, the strategy revision should be aimed at strengthening the market position.

Next recovery strategy is reduction of costs. This strategy is used in situations when the firm's expenses are excessive and there are many sources of savings that can be quickly achieved; when the firm is close to its break-even point. Subsequently, it is critical to distinguish the most costly balance sheet items that are subject of reduction (e.g. large-scale marketing research or expensive internships for employees) and direct these resources to restructuring and projects with quick profits.

An increase of cash flow of the entity is a third type of recovering strategy. There exist three ways of raising cash of the enterprise such as

1. Sale/lease of the company's assets. It can be any asset (e.g. buildings, machinery, equipment, bonds, shares, etc.), which the entity owned. The company may sold or used it for debt repayment. However, it is possible if only these assets are not collateral for other obligations.
2. Optimize sales. Sales optimization requires several important activities. They are price regulation, attraction of a new customer base, implementation of a trade discount programs, creation of alliances with business partners, estimation of the additional costs associated with new products.
3. Change the credit policy in order to speed up the turnover of accounts receivable.

The fourth way is the debt restructuring. It is the way toward planning and executing a progression of continuous transactions between an enterprise and its creditors, the principle motivation behind which is to get different sorts of concessions from creditors. They can incorporate such concessions as reduction of the total amount of debt, conceded installment, reduction of the interest rate and exemption from interest payments. There is a need to separate all creditors into essential(primary) and secondary ones when assessing accounts payable. Essential creditors usually are those whose liabilities add up to a sum of 80% of the complete obligation. The priority can likewise be resolved in terms of the sanctions of late payment. Furthermore, when estimating accounts payable, it is imperative to figure out what funds the company needs to take care of obligations. The cash flow forecast will enable the organization to decide the amount of obligation that should be rebuilt, just as gauge the conceivable measure of installments to lenders later on. Thus, debt restructuring will help the organization reach a new stage in its activities. However, at the same time, there is not any guarantee that the organization will become profitable in the future.

The fifth option of the strategy can consist of the reorganization or restructuring of the entity. Enterprise restructuring is the way toward creating and implementing a project, which fundamentally change the current state of an enterprise or its structure. This process can be implemented in the form of mergers, acquisitions, divisions, horizontal and vertical integration. Reorganization is a process of changes that influences parts of the company's activities, which comprises of product, assortment, the general management system, and factors of production. These changes may not affect the key product or the structure of the organization like restructuring measure do.

The last point is a combination of previously described strategies. Combinations of recovery strategies are usually used in crisis situations that require rapid solutions in all or almost all performance areas. In addition, combined strategies are often used when new managers are appointed to the position. In this case, they are given the freedom to make the necessary changes from their point of view. The more complex task, the more likely there will be use a set of strategic initiatives to solve it.

To conclude, recovery strategies are based on a combination of knowledge and analysis results, which are aimed at optimizing the performance of the entity, identifying hidden resources, and development potential of future growth of the company at the difficult time. The specifics of crisis management that are solving crisis issues are related to the need to make complex management decisions in conditions of limited financial resources, a high degree of uncertainty and risk. Since a manager, who solves such tasks is faced with the need to act in a timely and fast manner.

All companies from small businesses to market giants go through periods of recession and recession, but many of them still operate successfully and maintain a fairly strong competitive position in the market.

There are examples of large and well-known companies that once experienced a crisis, but skillfully coped with it thanks to different strategies considered in the report:

- Combination of different strategies

Arrow. A global distributor that provides a range of products and services in the field of computer equipment and electronics.

By the beginning of the crisis in 1991, when the entire world economy was undergoing a downturn, the company was in a catastrophically bad economic situation and had already lost its strategic position in the market. The company's financial position has weakened: in the reporting year 1990, the company's revenue was only \$970 million [5, p.10].

Strategic decisions made by the company's management to overcome the crisis:

Asset sales (a method of increasing the company's cash flow). The crisis forces entrepreneurs to take tough measures: the company was forced to sell non-core assets and get rid of additional operations. So, the lead processing business was sold.

Profitable investments expressed in the purchase of new businesses. Arrow simultaneously with the sale of its assets began to purchase other businesses to support its own. The proceeds from the sale of assets were used to buy new companies, thereby generating economies of scale and synergies. These were investments that helped the company increase its cash flow in the short term, and with each new purchase, Arrow's financial condition improved. Thus, Arrow managed to obtain the third largest player in the industry, as a result of which the company came out on top in terms of sales. This acquisition not only significantly improved the company's financial performance, but also increased its efficiency. In total, Arrow made three successful acquisitions during the 1991 crisis and another 12 after completion in 1994.

From 1990 to 1994, there was a decline in interest rates, but at the same time, the stock market started to grow. The company decided to use this situation in its favor and issued additional shares, sold them and the obtained money was spent on fulfillment of obligations to previous stockholders.

- Reorganization or restructuring of the enterprise

Another example of the company's recovery from the crisis is the largest automobile Corporation in the United States, founded in 1908 – General Motors. In the crisis of 2007-2008, it was significantly battered, as well as the entire capital of the American auto industry – Detroit. The city's population fell from 1.850 million in 1950 to 680,000 in 2014. The Detroit auto industry suffered due to global competition and moved its remaining production capacity out of Detroit [3, p. 10]. The company's revenue fell sharply, by almost 47%, and General motors requested government assistance on may 1, 2009.

It was expected that in early June, us President Barack Obama would announce the start of bankruptcy proceedings, but everything turned upside down. The company's management developed a provocative plan, which was implemented within a few weeks. The plan, and then the funding that plan received from the country's Government in return for a 60% stake in the new company, saved the giant from the crisis. In few words, the plan was to split the business into two completely different parts: NewCo, a new company with a clean balance sheet that would include the best brands and divisions, and OldCo, which would include the divisions with the most liabilities. All the restructuring that was supposed to make the new company profitable should have been done before the bankruptcy filing (so that GM could go through the bankruptcy procedure in a few days).

- Just social responsibility

In August 2017, Samsung released its new impressive galaxy Note 7 phone for sale. The Company, frankly, could not cope with pre-orders for this model [2, p. 10]. The demand for this phone around the world exceeded supply. But the success was not long. At the end of the summer, the first reports appeared that several device owners had their battery blown up. And on September 2, their number increased to 35 fires. The Corporation postponed deliveries to other countries to continue testing phones and began Recalling models already sold due to a manufacturing defect. the company issued an apology to the public for the malfunction, but admitted that the cause of the fires is unknown.

In connection with these events, airlines were asked not to take Galaxy Note 7 phones on Board, as a smartphone "with an explosive character", or turn them off completely.

However, in early October, Samsung resumed sales of the smartphone in South Korea, stating that the defects were fixed. However, the new batch was no better than the previous one, and reports of new fires continued to arrive in the company and appear in the media. Therefore, on October 11, the manufacturer announced the termination of production and sales of the Galaxy Note 7, recognizing that the device threatens the security of users. The company asked owners to turn off the Note 7 and not use it.

In total, Samsung had to recall 2.5 million shipped devices and replace them with new ones for free, Bloomberg reported. This cost the Corporation \$1 billion, according to analysts from Credit Suisse Group AG, Daishin Securities Co. and Pelham Smithers Associates.

Thanks to our social responsibility, the company was able to win the trust of customers, so the demand for subsequent smartphones, including this model of the company's smartphones, increased to record levels.

- Reduction of costs

The crisis followed by the COVID-19 pandemic has hit not only small and medium companies, but also giants of segments [4, p. 10]. The depression did not bypass another giant, the American company Booking Holdings, which has an online hotel booking service. As reported by Bloomberg, citing the company. It will cut 25 percent of order workers due to low revenues due to the spread of the coronavirus. We are talking about the release of about 4,000 workers out of 17.5 thousand. In addition, the holding includes Agoda.com online hotel booking services, Kayak and Momondo travel search engines, which employ 8,500 people. Optimization awaits them as well.

- Increasing cash flow of organization

Swiss banking giant Credit Suisse Group AG, represented in 50 countries around the world, in July 2020 closed every sixth office around the globe. In an interview, CEO Thomas Gotstein talked about reducing the number of branches from 120 to 100. This will help the company reduce costs and avoid additional fund outflows, but the money gained will be invested in sustainable development, digitalization and new ways to interact with customers. In fact, the company has always been one of the most innovative in its segment. In 1962, he became the first to open a trolley banking service. In 1993, it provided banking services through phone calls, four years later came up with a direct network, which was Switzerland's first internet banking service four years later.

The bank makes ends meet, this has not happened since the establishment of the bank. Credit Suisse Group lacks 400 million francs to do business, which is why they had to take such strict and drastic measures to close offices around the world.

Despite the pandemic and the contraction in business activities associated with it, Credit Suisse has finally increased its profits after several years of poor performance. In the first half of 2020, it increased by 47% to 2.5 billion francs. This is the highest figure in the last ten years.

As EU and US citizens became accustomed to the new reality and the voluntary and compulsory application of social distancing, consumers of banking services began to use mobile applications that are very useful and at the same time allow them to avoid going to branches of a financial institution.

Thus, we can summarize that anti-crisis measures are necessary measures for the normal and long-term operation of the enterprise. Strategies for getting the company out of the crisis should not only give positive results, but also ensure resistance to threats. Stabilization of the organization's activities is only achievable through business development. A large number of companies already have experienced a particular crisis situation.

In order to companies do not go bankrupt due to their inability to compete with other enterprises in the industry, there also exist external support. Thus, many countries have programs for helping small businesses. This help is usually can be presented in form of issuing preferential loans or temporary tax exemption. Moreover, on the example of large companies or corporations, you can see what methods of struggle were used, what strategy was used, and how they got the maximum benefit for the further development of their enterprise.

After the enterprise was taken out from the crisis situation, it is essential for it to prevent all possible conditions that can arise further in its operation activities in order not to repeat the crisis situation in the future. However, at the moment of taking the entity out of a crisis, it is necessary to use principles

that present the combination of risk and reliability. The company's perspectives and potential in the future depend on how well the strategy and measures to bring it out of the crisis will be chosen.

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